

## LCQ18: Logistics sites provided by the government

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Following is a question by the Hon Miriam Lau Kin-yee and a written reply by the Secretary for Transport and Housing, Ms Eva Cheng, at the Legislative Council meeting today (May 11):

### Question:

Some members of the logistics industry in Hong Kong have reflected that the development of the logistics industry hinges on an ample supply of land for storing and handling goods and providing value-added services; therefore, the industry has all along hoped that the Government can allocate more land for its development. Nevertheless, it has been reported that only two permanent logistics sites had been granted by the Government in the past 10 years by way of tendering and through which the sites were awarded to the highest bidders, which inevitably pushed up the prices of the sites and increased the costs. Besides, as the tenancy terms of sites leased out on a short-term tenancy basis ("STT sites") were too short (e.g. for three years, a quarter or a month), the industry cannot make long-term investments and developments. In this connection, will the Government inform this Council:

(a) of the details (including the disposal dates, locations, areas, uses, selling prices or rents of the sites as well as the tenancy terms of the STTs and tenancy renewal arrangements) of the permanent logistics sites granted and STT sites leased out by the authorities in the past five years;

(b) given that the Chief Executive announced in his 2009-2010 Policy Address that the Government had identified a number of permanent sites in the Kwai Tsing area, with a total site area of 29 hectares, for the development of a logistics cluster, and it is learnt that the first of such sites with an area of around 2.4 hectares was just granted at the end of last year, of the details and timetable of releasing the remaining sites;

(c) given that some members of the industry pointed out the logistics industry entails substantial investment, making it difficult to recover the cost of investment within a short period of time, but the tenancy terms of the STTs of Government logistics sites are too short, thus hindering the long-term development of the industry, of the criteria adopted by the authorities in determining the tenancy terms of such sites; whether the authorities will consider providing logistics sites for small and medium-sized logistics

companies, which do not have sufficient capital to bid for permanent logistics sites, to rent such sites on a long-term basis, so as to facilitate the development of small and medium-sized logistics companies; if they will, of the details; if not, the reasons for that; and

(d) regarding the existing problem of the lack of logistics sites in Hong Kong, apart from the 29 hectares of permanent sites identified for such purpose, of any long-term policy and plans that the authorities have to increase the number of sites suitable for logistics uses (particularly low-cost sites) in order to promote the development of the logistics industry?

Reply:

President,

We have consulted the Lands Department (Lands D), the Planning Department (Plan D) and the Rating and Valuation Department (RVD) on the reply below:

(a) The logistics industry is one of the cornerstones of Hong Kong's economic development and has been providing many jobs in the local manpower market. Since logistics refers to the process of planning, implementing and controlling the movement and storage of goods, services and related information from the point of origin to the point of consumption, the industry actually covers a wide spectrum of services, spanning over the freight transport, freight forwarding and storage sectors.

The SAR Government understands that appropriate land supply is vital to the sustainable development of Hong Kong's logistics industry. According to the statistics of the RVD, private warehouses with a total area of about 3.42 million square metres as at the end of 2010 are available throughout Hong Kong to provide storage facilities for the logistics industry. The information on the sites that can be used for logistics or related uses and were sold or let by public tender by the Lands D in the past five years is set out at Annexes 1 and 2. The sites on short term tenancies as set out in Annex 2 involve one or more logistics-related uses such as open storage of goods; consolidation and handling of container cargoes; logistics and freight forwarding activities; the trade of receipt and dispatch of delivery orders in relation to containers transportation, etc.

(b) As indicated in part (a) of the reply, the SAR Government has been providing

suitable sites for use by the logistics industry. The development of a logistics cluster in Kwai Tsing as set out in the 2009-10 Policy Address is a specific measure aimed at facilitating the logistics industry's gradual switch to high-value goods and services through specifying appropriate lease conditions designating the long-term sites concerned to be used for the provision of third party logistics services only. To implement this measure, a long-term site with an area of about 2.4 hectares in Tsing Yi was disposed of through public tender last December for the development of third party logistics. We plan to release another long-term logistics site with an area of about 2.4 hectares in Tsing Yi in the second half of 2011, provided that there is no substantial change in the market situation and the proposed development will not adversely affect the local traffic conditions.

Separately, the Administration consults the Hong Kong Logistics Development Council (LOGSCOUNCIL) on matters related to logistics sites from time to time. Some representatives of the industry have expressed their concerns that the provision of third party logistics facilities in Kwai Tsing, which is a hub of container terminals, may lead to traffic problems and a greater demand and competition for land in the district. They have thus suggested identifying suitable sites outside Kwai Tsing for the development of third party logistics facilities. In response to the industry's views, we are now updating the traffic impact assessment (TIA) of the proposed logistics sites in Kwai Tsing in the light of the latest information, and are also working with relevant government departments to look into the availability of suitable long-term sites for logistics development in other districts. We will consider the updated TIA as well as factors such as the availability of suitable logistics sites in other districts when working out the arrangements for the release of logistics sites in consultation with the LOGSCOUNCIL.

(c) The Lands D will determine the tenancy term of each short-term tenancy (STT) site, taking into account factors such as its long-term planning use, the situation of individual site and the requirement of the site for government projects. The tenancy term will be specified in the public tender document to facilitate interested parties to decide on investment of their resources.

While many STT sites are currently let for a fixed term of not more than three years, the Government notes the logistics industry's aspiration for a longer tenancy term. The Lands D has, on a case by case basis, extended the fixed term of suitable STT sites to five years, having regard to the circumstances of individual sites.

(d) As stated in part (b), we are working with relevant Government departments to identify suitable long-term sites outside Kwai Tsing for logistics development. In the process, we will consider factors including the availability of an efficient transport network with easy access to facilities such as the airport, port and land boundary crossings; the presence of any constraints that may limit the site's development, the local traffic conditions; and the geographical location of the site (for instance, a relatively remote site may facilitate a lower-cost development).

In addition, all sites zoned "Industrial", "Open Storage", "Industrial (Group D)" and "Other Specified Uses" annotated "Business" under the current outline zoning plans may also be used for developing logistics centres after obtaining relevant planning approval from the Town Planning Board.

All in all, the SAR Government will continue to maintain close liaison with the industry with a view to making available suitable logistics sites in a timely manner, thereby facilitating the sustainable development of Hong Kong's logistics industry.

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